

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION  
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
GREETING CARD ASSOCIATION INTERROGATORIES  
GCA/USPS-T12-3-11, 13-25**

The United States Postal Service hereby provides the responses of witness Whiteman to the above-listed interrogatories of the Greeting Card Association, dated February 24, 2012. Each interrogatory is stated verbatim and followed by the response. Questions 1-2 and 12 from this set were redirected to witness Elmore-Yalch for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Kevin Calamoneri  
Managing Counsel  
Corporate and Postal Business Law

Daniel J. Foucheaux  
Chief Counsel, Pricing & Product Support

Kenneth N. Hollies  
Attorney

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-3083; Fax -3084  
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**GCA/USPS-T12-3:** On page 5 lines 16-19, you discuss perceptions of delivery times for consumers and small businesses in Alaska and Hawaii. Why should the perceptions of mail delivery from these states to the continental U.S. be any different than the perceptions of consumers and small businesses send coast to coast mail with the lower 48 states, given the distance comparisons?

**RESPONSE:**

Hawaii and Alaska are not contiguous with the other 48 states; distances are greater and transportation logistics are more complex. Customers in the non-contiguous states recognize that these factors impact delivery times.

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**GCA/USPS-T12-4:** On page 6, lines 8 – 11, (and page 10, line 21 through page 11 line 6), you assert that consumers and small commercial organizations “have already begun” reducing their use of First-Class Mail “due, in part, to the recent economic downturn”.

- (a) Please confirm that these groups *began* reducing their use of FCM well before the 2008-2009 recession, and have continued to reduce their use of Single-Piece First-Class Letter Mail (FCLM) since it ended at roughly the same annual rates of decline. If you do not confirm, please explain why.
- (b) How does the proposition referred to above have any relevance to the issue of ending overnight delivery of stamped FCM or the issue of network “rationalization” in this case?
- (c) When was this area of questioning made part of this ORC survey, and at whose suggestion, ORC’s or the Postal Service’s?
- (d)
  - (i) When was the answer to this question available to postal management, as either final or preliminary information?
  - (ii) If your answer to (i) indicates that the answer was available in time, was the answer to this survey question a motivating factor in your November 7, 2011, notice to the Commission that you would continue with the exigent rate increase case on remand? Please fully explain either an affirmative or a negative answer to (ii).
- (e)
  - (i) Please confirm that at the time the survey was conducted the Postal Service already had a CPI cap increase filing in process and was in the process of deciding whether to continue the exigent case on remand. If you do not confirm, please explain your answer.
  - (ii) If your answer to (i) is a confirmation or partial confirmation, please explain why the survey asked respondents about ending overnight delivery *versus* raising rates.

**RESPONSE:**

The cited section of my testimony states:

It is clear that consumers and small commercial organizations have already begun reducing their use of First-Class Mail™ due, in part, to the recent economic downturn, by consolidating credit cards and thereby limiting bills and payments; we should expect these changes to continue.

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(a) While I am unable to confirm that consumers and small commercial mailers began to reduce their use of First-Class Mail (in the absence of an empirical test) before 2008, that they could have done so does conform to my expectation given the steady decrease in use of the mail for invoicing and payments. However, none of this contradicts my statement that diversion was also due in part to the economic recession. I am unable to confirm part (a) or whether any decline has been “at roughly the same rates of decline.”

(b) While the specific “proposition” referred to lacks clarity, the cited observations in my testimony are part of the context within which the market research was conducted; the rest of the page six paragraph is also part of the context.

(c) The tie between the citation to twelve lines of my testimony and its impact upon the qualitative or quantitative market research is not clear. As a general matter, however, the qualitative and quantitative research was a joint undertaking; hence specific questions arose out of consensus rather than a unilateral decision by the Postal Service or ORC. No questions in the quantitative market research inquired about diversion to the Internet, although it was addressed in the qualitative research.

(d) As reflected in response to part (c), this interrogatory part also fails to tie its inquiry to a specific question. The substance of the 12 lines cited is, however, hardly a surprise to postal management. I am unable, however, to identify a specific time when their awareness commenced. The proportion of bill payments

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that travel through the mail has nonetheless been dropping steadily for years. In any event, I had no involvement with the exigent rate case.

(e) I am unable to answer or explain beyond the fact that I have been and remain uninvolved with the exigent or other rate cases. However, I can confirm that the purpose of the quantitative market research was to identify customer response to the changes in First-Class Mail service standards, not whether they preferred such changes to rate increases. The quantitative market research did not manifest any respondent choice “about ending overnight delivery versus raising rates.”

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**GCA/USPS-T12-5:** On page 6, lines 12-13, you assert that the proposed service standard change “will not by itself be a tipping point for major diversion to the internet”.

- (a) If not by itself, what proposed combinations of deficit reduction proposals in combination with this one would create such a “tipping point”?
- (b) Did any survey results, public or non-public, identify what factors could be a tipping point?
- (c) Did the survey attempt to identify what combination(s) of factors might serve as the tipping point? Please explain fully any negative answer.

**RESPONSE:**

(a-c) These present, perhaps, empirical questions that could be answered through further research. However, the research about which I testify had no such objective.

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**GCA/USPS-T12-6:** As with the five day delivery case, ORC and USPS ask respondents which they would prefer, a rate increase or the proposal, in this case ending overnight delivery for stamped mail. The Postal Service already has planned a rate in-crease in January, 2012, and it has asked the Commission for an exigent in-crease in revenue and rates, although no rate structure of this case in remand has to date been proposed by USPS. In addition, the Congress has talked about legislating a rate increase for the Postal Service.

(a) In light of the possible rate increases already scheduled or proposed before USPS filed this case, did ORC ask respondents if a rate increase on top of ending overnight delivery of stamped mail might be a “tipping point” of further accelerating diversion to the Internet? Please fully explain any negative answer.

(b) Did ORC ask respondents what set of deficit reduction proposals including ending overnight delivery might be a tipping point, apart from a rate in-crease? If not, why not?

**RESPONSE:**

The market research presented in this docket did not ask respondents to choose between a rate increase and a change in service standards. The specific questions and topics addressed by the quantitative research are identified in USPS-T-11, Appendix C, Parts 1 and 2, and Appendix E. For the qualitative research, transcripts (USPS-LR-N2012-1/26) exhibit what was studied at the most granular level.

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**GCA/USPS-T12-7:** On page 6, lines 16-20, you discuss the reaction of large, bulk mailer customers to the proposed service changes.

(a) Before asking them their reaction, were they informed that under the proposal First-Class Mail (FCM) bulk mail entry could still be delivered overnight, albeit with changed daily deadlines for entry at the BMEU or related facility?

(b) Were credit card companies, utilities and others that send regular in-invoices to customers with an unstamped return envelope asked any survey questions about their loss of financial "spread" caused by the end of overnight delivery of stamped mail with a payment enclosed arriving later at their post office lock boxes? If so, please supply references to such questions in the research materials. If not, why not?

**RESPONSE:**

(a-b) The cited language deals with qualitative interviews involving National and Premier Account customers. The questions posed to respondents of all stripes are documented in USPS-T-11, Appendix C, Parts 1 and 2, and Appendix E. No need to ask other questions was ever identified given the purposes of the market research sponsored by the testimonies of witnesses Elmore-Yalch and Whiteman in this docket.

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**GCA/USPS-T12-8:** On page 6, lines 21-22, you indicate that executives surveyed in the IDIs with National and Premier Account customers would favor ending overnight delivery of stamped mail, and possibly some bulk First-Class Letter Mail, if “that minimizes the need to raise prices.” If this proposal to save a net \$2.1 billion annually were adopted, does that mean that

(i) the Postal Service would withdraw its exigent rate case, which appears designed to generate about the same level of deficit reduction (\$2.3 billion)?

(ii) the Postal Service would oppose postal reform legislation which proposed a rate increase?

**RESPONSE:**

This question mischaracterizes my testimony, which states on page 6, lines 19-22:

The proposed changes clearly indicated to executives that the Postal Service was taking steps to resolve its problems in a responsible manner that minimizes the need to raise prices.

This question also builds upon the supposed, but nonexistent, premise that the market research design entailed a choice by respondents between a rate increase and changes in service standards. The purpose of the market research was to assess customer response to the introduction of changes in First-Class Mail service standards. Absent a proper foundation, and given that the two questions lie outside my expertise, I am unable to respond further.

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**GCA/USPS-T12-9:** On page 7, lines 1-13, you elaborate on the survey finding that: "Many felt that it is never good when an organization reduces service, especially if it also increases prices."

(a) Were respondents allowed to answer a question of the form "How would you feel if the Postal Service reduces service and raises rates?"

If so, please supply references to the research materials.

If not, why was no such question posed, since that is the actual context within which cutting overnight de-livery is being posed?

(b) Would you agree that the negative financial impact on the Postal Service of cutting overnight delivery and raising the price of a stamp to 50 cents is likely to be greater than estimating the financial impact of each change taken in isolation because of interaction effects, especially if it constitutes a tipping point situation? If your answer is negative, please explain fully.

(c) On line 13, what is the meaning of "discretionary mail"?

**RESPONSE:**

This question confuses the qualitative market research, which is what is addressed in the cited section of the testimony, with the quantitative market research. If the interest lies primarily in the qualitative research, transcripts of each session have already been provided and can therefore be researched. See USPS-LR-N2012-1/26. If the question is about the quantitative market research, the specific questions have also already been provided. See USPS-T-11, Appendix F, Parts 1-3.

(a) The question was not asked in the quantitative market research because no need to do so was ever identified.

(b) I would agree that if respondents were asked to quantify their mail volume responses to the sum of 1) changes in First-Class Mail service standards, and 2) an increase in the cost of a First-Class Mail single-ounce letter stamp to 50 cents, that the response could be greater than what we found in the market

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research sponsored by the Postal Service in this docket. However, without quantitative research to assess these two variables together it is not possible for anyone to say with certainty what the impact would be.

(c) The term “discretionary mail” denotes nothing beyond what a dictionary definition would imply.

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**GCA/USPS-T12-10:** On page 8, line 5, you state that "Market research creates 100 percent awareness in the marketplace, a condition that *never exists in reality.*" (Emphasis added.)

(a) Please provide data, or your best estimate, on how many news reports were published in the first week alone since the December 5, 2011, release of the Postal Service proposal to end overnight delivery of FCM? Please provide your answer on the basis of all such materials known to you, including reports from the major national, regional, and local television and radio networks, all cable/satellite TV channels, all national, regional and local print media including news articles, editorials, op-eds and cartoons.

(b)

(i) Did the Postal Service and/or ORC attempt to allow in advance for widespread publicity surrounding the public announcement of the proposal to end overnight delivery?

(ii) Since the public announcement of the proposal, has the Postal Service and/or ORC reevaluated the difference, if any, between the degree of awareness exhibited by the general public and that exhibited by respondents to the survey? If your answer is not an unqualified "no," please fully describe such reevaluation and any conclusions reached.

(c) Assuming for purposes of the question that the general populace now has either 100% or a high degree of awareness of your proposal after the first week since it was released, please confirm that: (i) it would be analytically unsound to assume that your respondents tended "to overstate their reactions"; and (ii) that as a result, your estimates of lost volume, revenue and contribution would be biased in the downward direction as a result of adjusting for overstatement of reactions.

**RESPONSE:**

(a) I have no data or estimate, and no interest in seeking such information in the absence of any meaningful relationship to the subject of my testimony.

However, nothing stops an interested party from pursuing such efforts should it choose to do so.

(b) No.

(c) Not confirmed. It should be noted that ORC did not adjust its volume estimates for "overstatement of reactions."

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**GCA/USPS-T12-11:** On page 9, lines 13-16, you state that “customers would not accept a significant price increase because it would not (by itself) ensure long term financial stability.” Were customers told beforehand and/or did they indicate in their answers that ending overnight delivery of FCM also would not by itself ensure long term financial stability? If your answer is affirmative in any degree, please provide references to the survey materials for such indications.

**RESPONSE:**

What customers were told and how they responded, both in the qualitative and quantitative market research phases, is already fully documented on the record; as such, any party interested in investigating these matters is already fully empowered to do so.

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**GCA/USPS-T12-13** Were you able to quantify what the impact of accelerated diversion would be as a result of the proposed service changes? If so, please provide the data.

**RESPONSE:**

The results of the market research and supporting data have already been presented and made available to participants. If this question is asking whether additional results remain to be documented, the answer is "No."

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**GCA/USPS-T12-14** You note on page 11, lines 14-16, “key features” of First Class Mail important to most customers, but omit speed of delivery.

- (a) Would you agree that the rapid diversion of First Class Mail to the Internet in recent years implies that speed is the key feature of written communications, for most customers? If you do not agree, please explain why.
- (b) Would you agree that further slowing the delivery of hard copy First Class Mail will not help attract customers to the Postal Service’s products? If you do not agree, please explain why.
- (c) Would you agree that slowing the speed of delivery must be viewed as a loss of value to the customer? If not, please explain why.

**RESPONSE:**

- (a) I would agree that conversion from use of First-Class Mail to use of the internet—to the extent it takes place—reflects choices made by those customers who do so for the sum of reasons that each such customer considers important or pertinent.
- (b) I agree to the extent, as my testimony reports, that changes in First-Class Mail service standards will trigger changes to use of First-Class Mail and other postal products, most of which would be negative across customer segments. However, not all customers will consider the changes to the First-Class Mail service standards to be a significant change, and the change in First-Class Mail service standards could lead some customers to increase their use of other postal products.
- (c) No, but as my testimony explains, some customers take that view more than others. Others, however, would not consider the changes in the First-Class Mail service standards to be a significant change and, so long as First-Class Mail service is reliable, they will be fully satisfied with it.

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**GCA/USPS-T12-15:** Please refer to your testimony at page 11, lines 17-22, where you discuss consumers' general lack of awareness of USPS service standards and their belief that ["]mail takes longer than standards [ ]or actual performance reflect" .

(a) Has the Postal Service investigated the possibility that in the week following the December 5, 2011, filing of the Postal Service's service standards changes proposal consumers across the nation became significantly more aware of the general issue of service performance, and, more specifically, of any disparity between actual service performance and their previous perception of it, than they were before December 5, 2011? If so, please describe fully the process and results of the investigation, and provide any documents setting forth, explaining, or evaluating them.

(b) Assuming for purposes of the question that consumers have gained the increased awareness described in (a), would it not be a logical conclusion from your reasoning (lines 17-19) that those consumers, ceteris paribus, would be less adaptable than you conclude from analysis of the survey results? Please explain fully either an affirmative or a negative answer.

**RESPONSE:**

(a) No need to do so has been identified, or funded.

(b) I am unable to accept this chain of hypothetical assertion. December 5, 2011 was the date on which the Postal Service filed this case. I am not aware of any basis for assuming that the filing of this case triggered wholesale or complete changes in consumer attitudes or understanding.

This question also assumes incorrectly that the service standards for First-Class Mail are the only characteristic of First-Class Mail service that customers use to evaluate it. The question further assumes that if customers became better aware of First-Class Mail service standards and/or performance that their acceptance of the proposed service standards changes would weaken. Especially absent empirical support, I do not accept these assertions.

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**GCA/USPS-T12-16** On page 13, lines 8-12, you state that opposition to a proposal from the survey research has to be “emotional” or “vocal” for it to indicate high importance to a respondent.

(a) Would you agree that there are other personality types in a survey or general population that could express opposition in a way that could not be characterized as vocal or emotional?

(b) If your answer in (a) is anything but an unqualified “yes”, please fully explain why opposition has to be emotional and vocal to indicate that the question is highly important to the respondent.

(c) If a small business owner expressed opposition couched in terms of quantified harm to his/her business, but not expressed “vocally” or “emotionally,” would this answer be taken as indicating that the question was highly important to the respondent? Please explain either an affirmative or negative answer.

**RESPONSE:**

This question grossly mischaracterizes my testimony. Moreover, the identified lines of testimony omit more than one line of the first sentence partially included and nearly two lines of the last sentence partially included. That section of my testimony reads in full (from lines 6 through 14):

Most [consumers and small business customers] who did not support adoption did not think that it would help solve Postal Service financial problems. Interestingly, for those who did not support adopting the proposed service standard changes, opposition was not emotional or vocal, indicating its low importance to them. Consumers and small businesses demonstrated little awareness of postal operations—notably processing and transportation that occurs behind the scenes, and many expressed amazement at the ability of the Postal Service to deliver a letter dependably and safely across country for \$0.44.

(a) This section of my testimony makes no assertion about the personality of the customers in the focus groups or the impact of personality upon their reactions to the proposed changes in the First-Class Mail service standards.. Thus I am unable to agree that this statement has any implications for “other personality types” or for the “general population.”

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(b) It has been my experience in conducting qualitative market research that customers' negative reactions to change can range from a low level of opposition ('I am opposed but it is not important to me') to a high level of opposition ('I am very much opposed'). The more opposed a customer is, the more typical it is that the customer will make clear his or her strong opposition. This is often shown by the tone and length of time they take to describe their opposition.

(c) I have not studied this particular question, which appears to have no bearing upon the subject of my testimony. However, I think customers can be opposed for various reasons, some more important than others. Strength of opposition is typically communicated as I describe in the response to part (b).

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**GCA/USPS-T12-17** On page 12 line 23 through page 13, line 3, you indicate respondents felt the Postal Service should improve “customer service to offset their loss in delivery service.”

(a) Did any respondents suggest that customer service could be improved by retaining Saturday delivery? Please provide references to any such responses.

(b) Would it be your understanding of improvement in customer service, as these respondents intended it, that preventing a situation in which a letter mailed on Thursday would not be delivered, even locally, until the following Monday (Tuesday in the case of a Monday-holiday week) would count as such an improvement? Please explain any negative answer.

**RESPONSES**

This question stems from a discussion of the qualitative market research, where we generally speak of customers or participants, rather than respondents.

(a-b) I was quite clear in the cited section of my testimony where I wrote that customers in the focus groups spoke about improvements “to employee attitudes and customer focus; employee knowledge; and enhanced accountability among employees and management.” To the extent any interested party wishes to evaluate whether the discussion could be characterized as these questions inquire, transcripts of each in-depth-interview and focus group are available for investigation in USPS-LR-N2012-1/26. However, the lack of any such customer comments summarized in my testimony is consistent with my impression that customers did not mention or consider these important examples of possible improvements.

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**GCA/USPS-T12-18** You state that several consumers and small businesses “expressed amazement at the ability of the Postal Service to deliver a letter dependably and safely across [the] country for \$0.44.” (Page 13, lines 13-14.) Would you agree that such respondents would be likely to find it equally amazing that a phone call or fax from coast to coast since telecommunications deregulation only costs pennies, and that an e-mail or text message coast to coast has zero marginal cost?

**RESPONSE:**

I have not conducted research on coast to coast phone or fax messages, so I have no basis for such a conclusion nor do I consider it pertinent to my testimony.

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**GCA/USPS-T12-19** Referring to your comments on page 13, lines 19-22, why would you conduct an interview with the “primary decision maker” for direct marketing in large organizations that focuses on service changes for First Class Mail and periodicals, as opposed for example to Standard letter ad mail?

**RESPONSE:**

We wanted to talk to decision-makers for direct marketing as they can use a variety of mail services, including First-Class Mail and Standard Mail for advertising purposes. Thus, we wanted to understand how the changes in the service standards for First-Class Mail could affect how they would use mail services for advertising.

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**GCA/USPS-T12-20**

- (a) Referring to page 14, lines 1-5, why do the opinions of “executives in larger commercial organizations” matter with respect to ending overnight delivery when in fact it is stamped mail and not bulk mail that is mainly affected?
- (b) Were such executives informed before the questions that the proposal offers two new windows for delivering their bulk mail that will enable overnight delivery within that current service standard area?
- (c) Referring to lines 12-13, you state executives “would be able to adapt to the proposed changes in the service standards.” Do you mean the changed entry times for overnight delivery of bulk FCM, or (as in the case with single piece) the elimination of overnight delivery for some bulk mail? Please explain.

**RESPONSE:**

- (a) At the time we conducted the qualitative research, we wanted to evaluate the potential effect of the changes in First-Class Mail service standards across all types of First-Class Mail and mailers. Large commercial organizations use both full rate First-Class Mail and Automation First-Class Mail. All First-Class Mail, including that which is bulk entered, is affected by the proposed service standards changes.
- (b) “Executives in larger commercial organizations” were shown the materials that witness Elmore-Yalch’s testimony presents. The actual proposals in the instant docket were not finalized until after this research was completed. Moreover, unlike those who responded to the quantitative research, those who participated via in-depth-interviews were not asked a scripted set of questions.
- (c) Presuming this question refers to page 14, this statement refers to the general description of changes in First-Class Mail service standards documented in USPS-T-11. Details about overnight delivery for any First-Class Mail had not been established when the research was designed.

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**GCA/USPS-T12-21** On page 15, lines 4-6, you indicate “a few of the larger mailers also projected logistical problems if the nearest plant where they drop large volume mailings is closed.” However, seventeen IDI’s does not capture a very large sample of the number of national and premier accounts.

(a) For each proposed plant closing nationally, please estimate the number of national and premier accounts which would run into logistical problems for their large volume mailings in FCM based on your survey results for the seven-teen respondents.

(c) For each proposed plant closing, please indicate the annual volume of all such accounts combined at each plant that would be impacted.

**RESPONSE:**

(a-b) The qualitative research results do not project nationally, and were not intended to do so. As such, nor can they be projected to specific plants.

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**GCA/USPS-T12-22** On page 16, lines 1-4 you note that “[l]arger mailers generally perceive that service performance for First Class Mail takes longer than the current service standards; this helps explain their understanding that proposed changes are not major.”

(a) Are you referencing overnight, two day or three day standards, or some combination of the three standards?

([b]) Is it the Postal Service’s belief that Presort FCLM generally takes an extra day to deliver compared to FCLM which enters the postal network at up-stream facilities?

(c) If your answer to (b) is “yes”, please explain why the combination of one day extra for Presort mail that cannot meet the new service standard windows along with one extra day from the proposed service changes would not delay bulk mail delivery by two or more days?

**RESPONSE:**

(a) My testimony introduce this (and other) observations as follows: “Overall, key reactions to the proposed change among larger mailers include:” .

[b] I am aware of no such statement or anything to the contrary that appears in my testimony.

(c) N.A.

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**GCA/USPS-T12-23** Please refer to your testimony at p. 17, lines 19 – 26.

- (a) What Postal Service price increases are you referring to on line 23?
- (b) Please confirm that your qualitative research gave respondents a choice between a service cut (overnight delivery) and a rate increase, while here you acknowledge the reality, which respondents and the public face, is that the Postal Service is doing both? If you do not confirm, please explain why.
- (c) The Postal Service is both raising prices and cutting service, as you state on lines 22-24. Please explain why this real world situation did not form the basis of at least some question(s) asked respondents.

**RESPONSE:**

- (a) The reference is non-specific.
- (b) Not confirmed. Qualitative market research participants were not offered such a choice.
- (c) See the response to part (b). The quantitative market research respondents also were not offered such a choice. As I stated in my testimony on page 16, lines 10-12, "Opinion Research Corporation also conducted quantitative market research ...to project changes in volume that would be triggered by changing the service standards for First-Class Mail." Market research that studied the effects of changes in service standards in addition to one or more other factors examines causative factors beyond the specific subject of this market research, and would accordingly not have permitted isolation of changes arising only from the service standards changes. Such research can be undertaken with the understanding it answers a different question.

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**GCA/USPS-T12-24**

Referencing your statement on page 18 that there exists a literature for adjusting to a "tendency for over-projecting results"

(a) Please confirm that there are circumstances where the results are underestimated. If you do not confirm, please state your understanding of why such circumstances do not exist.

(b) Please reference the leading literature in the market research field and academia where survey results underestimate the population result.

**RESPONSE:**

See my response to NALC/USPS-12-4..

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**GCA/USPS-T12-25**

- (a) If a proposal, by the Postal Service or another entity, for electronic “mail boxes” were highly successful, could it form the basis for putting scanned images of FCLM in the electronic mailboxes?
- (b) Would the changes posed in (a) increase the speed of FCLM delivery, and if so by how much?
- (c) Would the changes posed in (a) restore overnight (electronic) delivery for stamped mail?
- (d) Would the changes posed in a. improve all current delivery standards for FCLM?

**RESPONSE:**

- a. It is possible market research could shed light on this question.
- b-d I have not studied this topic and accordingly lack any foundation that might able me to provide a response.